

Report of the Supervisory Committee

To the shareholders

In 2000, pursuant to the requirements of "regulations, supervision, self-discipline and standards" of the China Securities Regulatory Commission, the Supervisory Committee proactively discharged their supervisory functions in a diligent manner in compliance with the provisions and requirements of the PRC Company Law, Securities Law and the Articles of Association of the Company in safeguarding the interests of the Company and its shareholders.

During the year, there were three meetings of the Supervisory Committee of the Company at which, amongst other matters, the Report of the Supervisory Committee for 1999, the 1999 Annual Report, the election of Mr. Lu Yunliang as Chairman of the Supervisory Committee and the 2000 Interim Report were considered and approved.

During the year, the Supervisory Committee was present in all meetings of the Board of Directors of the Company. We have implemented effective supervision over the operating policies of the Board of Directors of the Company whether or not they are in compliance of the law and regulations of the State, the Articles of Association, the development prospects of the Company and in the interests of the shareholders; and proactively participated and submitted our opinions in respect of the production operations, technical innovations and investment plans.

Through active development of work, the Supervisory Committee is of the opinion that:

- (1) the Company has established a proper internal control system. We have not discovered any act of the directors and senior management of the Company, in the performance of their official duties, which contravened the regulations of the State, the Articles of Association and prejudiced the interests of the Company;
- (2) the financial management and audit of accounts of the Company were carried out in compliance with all the applicable requirements and we were not aware of any impropriety and query; and
- (3) the connected transactions of the Company that occurred during the year were fair and reasonable.

By Order of the Supervisory Committee

Lu Yunliang

Chairman

Beijing, the PRC

9th April 2001